United Nations A/66/324

General Assembly

Distr.: General
7 September 2011

Original: English

Sixty-sixth session
Item 131 (c) of the provisional agenda*
Financial reports and audited financial statements, and reports of the Board of Auditors

Implementation of the recommendations of the Board of Auditors contained in its report on the capital master plan for the year ended 31 December 2010

Report of the Secretary-General

Summary

The present report provides additional information in response to the recommendations of the Board of Auditors as contained in its report on the capital master plan for the year ended 31 December 2010. The report is submitted in accordance with paragraph 7 of General Assembly resolution 48/216 B, in which the Secretary-General was requested to report to the Assembly at the same time as the Board of Auditors submitted its recommendations to the Assembly on measures taken or to be taken to implement those recommendations.

The Administration has concurred with most of the Board's recommendations, and most of the comments of the Secretary-General have been duly reflected in the report of the Board. Therefore, in an effort to reduce redundancy and streamline documentation, the present report provides additional comments from the Administration only where required, as well as information on the status of implementation, the office responsible, the estimated completion date and the priority for each recommendation contained in the reports of the Board of Auditors. In addition, the report also contains updated information on the status of implementation of the recommendations of the Board relating to prior periods that were reported by the Board as not having been fully implemented in the annexes to its reports.

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I. Introduction

1. In paragraph 7 of its resolution 48/216 B, the General Assembly requested the Secretary-General to report to it on the measures that would be taken to implement the recommendations of the Board of Auditors at the same time the reports of the Board were submitted to the Assembly. Accordingly, the present report is submitted in response to the recommendations of the Board contained in its report on the capital master plan for the year ended 31 December 2010.[1]

2. Section II provides information on the implementation of the recommendations contained in the report of the Board of Auditors on the capital master plan for the year ended 31 December 2010. Section III provides information on the implementation of recommendations contained in the Board's reports for prior years.

II. Implementation of the recommendations contained in the report of the Board of Auditors on the capital master plan for the year ended 31 December 2010

Overview

3. Set out below is the information on the status of implementation of recommendations contained in the report of the Board of Auditors on the capital master plan for the year ended 31 December 2010. Most of the Administration's comments have already been included in the Board's report; thus, additional comments are provided below only where required.

4. Table 1 provides a summary of the status of implementation of main recommendations as at 22 August 2011; table 2 provides a summary of the status of implementation of all recommendations as at 22 August 2011.

Table 1
Status of implementation of main recommendations

Department responsible	*Number of recommendations*	*Not accepted*	*Implemented*	*In progress*	*Target date set*
Department of Management	5	—	—	5	5
Total	**5**	**—**	**—**	**5**	**5**

5. All five main recommendations referred to in table 1 have target dates, four of which are targeted for implementation by the end of 2011 and one by 2014.

[1] *Official Records of the General Assembly, Sixty-sixth Session, Supplement No. 5* (A/66/5), vol. V.

Table 2
Status of implementation of all recommendations

Department responsible	*Number of recommendations*	*Not accepted*	*Implemented*	*In progress*	*Target date set*	*No target date*
Department of Management	15	1	3	11	11	—
Total	**15**	**1**	**3**	**11**	**11**	—

6. As indicated in table 2, the implementation of 11 recommendations is in progress, and a total of 3 recommendations have been implemented.

Detailed information on implementation status

7. **In paragraph 33, the Board recommended that the Office of the capital master plan significantly reduce the processing time and backlogs in the change order approvals process so that contractors get paid within the timescales stated in their contracts or, where contracts are silent on this matter, within 30 days after completing a change order. The latter arrangement is consistent with the time allowed to make payment under a guaranteed maximum price contract.**

8. Weekly change order logs are issued and discussed at the capital master plan coordination meeting, where all procurement, finance and contract management issues are reviewed and actions agreed upon by capital master plan consultants, the Office of the Capital Master Plan and the Procurement Division. In addition, the status of all amendments and change orders is reviewed at weekly joint procurement meetings between the Office of the Capital Master Plan and the Procurement Division.

Department responsible: Department of Management
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2011

9. **In paragraph 38, the Board recommended that the Administration, working with the Office of the Capital Master Plan:**

(a) **Immediately review the change orders trends and identify the reasons and source of requests for changes;**

(b) **Establish clear rules, strong governance and robust management to minimize occupier-driven changes.**

10. A report on change order trends is available in the NOVA system. In addition, capital master plan consultants maintain and update data on change orders submitted. Both the architect's "project change request form" and the capital master plan's "project change/clarification directive transmittal form" identify the causes of the changes. The Administration, at the highest management level, continues to support strong governance and robust management of the capital master plan.

Department responsible: Department of Management
Status: In progress
Priority: High
Target date: Fourth quarter of 2011

11. **In paragraph 46, while recognizing the progress made since November 2010, the Board recommended that the Under-Secretary-General for Management should, as a high priority management action, review jointly the state of readiness for commissioning and handover within the Facilities Management Service and the Office of the Capital Master Plan on a quarterly basis.**

12. The Office of the Under-Secretary-General for Management will request quarterly joint reports from the Facilities Management Service and the Office of the Capital Master Plan on the issue and call meetings as necessary.

Department responsible: Department of Management
Status: In progress
Priority: High
Target date: Fourth quarter of 2011

13. **In paragraph 47, the Board recommended that the Administration consider ways to retain expertise from the Office of the Capital Master Plan to support the handover to the Facilities Management Service.**

14. The Office of the Capital Master Plan has initiated dialogue with the Office of Human Resources Management regarding succession planning. However, any succession planning must take place within the boundaries of the staff regulations and rules.

Department responsible: Department of Management
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2012

15. **In paragraph 59, the Board recommended that the Administration:**

(a) **Resolve the security issues and lack of a viable design solution for the Library and South Annex Buildings as a matter of urgency;**

(b) **Confirm whether the two buildings are to remain in scope and, if so, what the approach to resolving the security challenges should be;**

(c) **Seek approval for the proposed course of action for the two buildings from the General Assembly.**

16. The recommendation is accepted; however, the Administration provides the additional comments below.

17. It is not within the span of control of the United Nations to resolve the security issue. Resolution must await further developments with the host country. All the United Nations can do at this stage is to closely monitor these developments, which is occurring. The upcoming ninth annual progress report of the capital master plan to the General Assembly will state the situation clearly.

Department responsible: Department of Management
Status: In progress
Priority: High
Target date: Fourth quarter of 2014

18. **In paragraph 60, the Board recommended that the Administration prioritize the approvals process and timing for the remaining guaranteed**

maximum price contracts and amendments so as to achieve the 42-day elapsed time period assumed in the schedule.

19. The capital master plan project managers are ensuring continued implementation of the revised guaranteed maximum price contracts process as drafted by the Office of the Capital Master Plan in September 2008.

Department responsible: Department of Management
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2014

20. **In paragraph 70, the Board recommended that the Office of the Capital Master Plan strengthen the approach to cost forecasting by including a robustly calculated and auditable estimate for the costs of all change orders until project completion, by allowing for the most likely costs of the items in the risk register, and for other known issues, such as prolonged property rentals arising from the schedule slippage.**

21. The project forecast methodology and planning assumptions are discussed in the upcoming ninth annual progress report of the capital master plan to the General Assembly.

Department responsible: Department of Management
Status: In progress
Priority: High
Target date: Fourth quarter of 2011

22. **In paragraph 73, the Board recommended that the Office of the Capital Master Plan:**

(a) **Review its approach to allowing for the effects of future construction price inflation in line with published indices;**

(b) **Clarify and simplify its reporting in this area when little or no inflation is expected.**

23. The recommendation has been implemented. Nationally published indices from *Engineering News-Record* and Turner Construction are reviewed against market data from New York City construction projects. In reviewing the above data, an assessment of probable inflation is formed.

Department responsible: Department of Management
Status: Implemented
Priority: Medium
Target date: Not applicable

24. **In paragraph 80, the Board recommended, for the sake of project certainty, that the Administration and those responsible for governance clarify the question of budgetary responsibility for the associated costs by making a clear decision on how they will be funded.**

25. The funding of associated costs is discussed in the upcoming ninth annual progress report of the capital master plan to the General Assembly.

Department responsible: Department of Management
Status: In progress
Priority: High
Target date: Fourth quarter of 2011

26. **In paragraph 81, the Board recommended that the Administration, when assessing the associated costs forecasts, take into account the full impact of the most recent scheduled completion dates.**

27. As mentioned above, associated costs are discussed in the upcoming ninth annual progress report of the capital master plan to the General Assembly.

Department responsible: Department of Management
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2011

28. **In paragraph 90, the Board recommended that the Administration:**

(a) **Establish a small senior management group, supported by an independent space planning expert authority, to review all of the potential benefits arising from the project;**

(b) **Ensure that the group works towards the benefits in a systematic and coherent way.**

29. This recommendation has not been accepted by the Administration. The debate and justification for the benefits of the capital master plan were discussed robustly and approved through the capital master plan's fifth annual progress report. Systematic updates are provided by the Office of the Capital Master Plan in each annual progress report to the General Assembly. The Administration does not see the value of having another senior review group and an independent space planning authority.

Department responsible: Department of Management
Status: Not accepted
Priority: Medium
Target date: Not applicable

30. **In paragraph 91, the Board recommended that the Administration consider ways in which to use space more efficiently through, for example, "hot desking" and reduced physical filing space as a policy, and ensure a rapid conclusion aligned with the scheduled moves of staff and office furniture within the United Nations campus and other properties.**

31. The reduction of filing space is being pursued in the context of the restacking plan for the capital master plan. "Hot desking" and greater use of flexible working arrangements is supported in general. The arrangements, however, will not have significant impact on the capital master plan restack, but will help with future expansion space needs.

Department responsible: Department of Management
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2012

32. **In paragraph 95, the Board recommended that the Administration establish a risk mitigation strategy to fill unexpected vacancies in critical positions within the Office of the Capital Master Plan management team at short notice.**

33. Rosters are used to the extent possible. Where rosters are not adequate, staff regulations and rules apply (e.g., wide advertisement of vacancies to provide a fair chance to all applicants).

Department responsible: Department of Management
Status: Implemented
Priority: Medium
Target date: Not applicable

34. **In paragraph 96, the Board recommended that the Administration consider whether a similar arrangement should apply to other teams involved in major business transformation programmes elsewhere in the United Nations.**

35. Rosters may be used to the extent possible.

Department responsible: Department of Management
Status: Implemented
Priority: Medium
Target date: Not applicable

36. **In paragraph 103, the Board recommended that the Administration urgently review the effectiveness of the Post-Award Review Committee, with a view to streamlining its operation, and balance appropriately the need for assurance and control with the need to protect the project schedule and work of the Procurement Division.**

37. The Procurement Division has proposed and implemented changes to the Post-Award Review Committee case submission process during recent meetings in order to achieve greater efficiencies. Further efficiencies may be necessary, including greater frequency of meetings.

Department responsible: Department of Management
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2011

III. Implementation of the recommendations contained in the reports of the Board of Auditors on the capital master plan for prior years

Overview

38. In paragraph 10 of its resolution 62/223 A, the General Assembly requested the Secretary-General to provide a full explanation for delays in implementation of the recommendations of the Board for prior periods, in particular those recommendations not yet fully implemented which are two or more years old.

39. In the annex to its report for the year ended 31 December 2010,[1] the Board provided a summary of the status of implementation of recommendations for the

year ended 31 December 2009. Information provided below is on the 10 recommendations shown as "under implementation" or "not implemented" in the annex, set out in the order in which the recommendations were presented.

40. Table 3 provides a summary of the overall situation. The implementation of all 10 recommendations is in progress.

Table 3
Status of implementation of all recommendations relating to recommendations for the year ended 31 December 2009

Department responsible	*Number of recommendations*	*Overtaken by events*	*Implemented*	*In progress*	*Target date set*
Department of Management	20	1	17	2	2
Total	**20**	**1**	**17**	**2**	**2**

Detailed information on implementation status

41. **In paragraph 31 of its report on the capital master plan for the year ended 31 December 2009,[2] the Board recommended that the Administration refine its donations policy so as to clarify the status of past sponsorships.**

42. The donations policy stipulates that, as a general principle, Member States that have already made a donation in respect of a particular space in the past will continue to have priority over that space. In this respect, this recommendation is considered implemented.

Department responsible: Department of Management
Status: Implemented
Priority: Medium
Target date: Not applicable

43. **In paragraph 57, the Board reiterated its previous recommendation that the Administration detail the economic assumptions used to arrive at the cost estimate for the project and monitor the evolution of those assumptions and their consequences for the project.**

44. The identified strategy is that of multiple guaranteed maximum price contracts, which allows the Administration to take advantage of beneficial market conditions to lock in low prices as quickly as possible without requiring the contractor to assume higher future risks and the related risk premium which would manifest itself in higher bids.

Department responsible: Department of Management
Status: Implemented
Priority: Medium
Target date: Not applicable

45. **In paragraph 62, the Board recommended that the Administration reassess the merits of the value engineering programme.**

[2] *Official Records of the General Assembly, Sixty-fifth Session, Supplement No. 5* (A/65/5), vol. V.

46. The Office of the Capital Master Plan continues to make value engineering efforts whenever feasible or practical.

Department responsible: Department of Management
Status: In progress
Priority: High
Target date: Fourth quarter of 2013

47. **In paragraph 67, the Board recommended that the Administration reduce to a strict minimum requests for change orders, particularly by its own services.**

48. The Office of the Capital Master Plan continues to seek every opportunity to reduce changes to the design whenever possible.

Department responsible: Department of Management
Status: In progress
Priority: High
Target date: Third quarter of 2013

49. **In paragraph 79, the Board reiterated its previous recommendation that the Administration distinguish between the provision for contingencies and that for forward pricing escalation, as was done in the previous presentation of the cost estimate for the project.**

50. The Administration has accepted and implemented this recommendation. A portion of the contingency has been assigned to inflation. Whereas, in the fall of 2009, contingency was calculated at 10 per cent on signed guaranteed maximum price contracts and 20 per cent on unsigned guaranteed maximum price contracts, some modifications were made that reflect the status of the project as well as the recommendations by the Board. Currently, the contingency budget is calculated at 10 per cent for those contracts signed but not yet completed, and 15 per cent for unsigned contracts. The 15 per cent includes a provision for future escalation, as recommended by the Board of Auditors.

Department responsible: Department of Management
Status: Implemented
Priority: Medium
Target date: Not applicable

51. **In paragraph 84, the Board recommended that the Administration reassess the appropriateness of the scope and the level of the provision for contingencies.**

52. Please refer to the comments relating to the preceding recommendation.

Department responsible: Department of Management
Status: Implemented
Priority: High
Target date: Not applicable

53. **In paragraph 112, the Board recommended that the Administration immediately take appropriate measures to prevent any functional change in the project relating to the Conference Building after the signing of the work contracts.**

54. A detailed review of all design documents is held with each user department prior to the onset of construction.

Department responsible: Department of Management
Status: Implemented
Priority: Medium
Target date: Not applicable

55. **In paragraph 118, the Board recommended that the Administration reduce to a strict minimum requests for change orders with regard to the use and configuration of basement rooms.**

56. Change orders continue to be reviewed and approved by the Office of the Capital Master Plan based on procedures reviewed and recommended by the Office of Internal Oversight Services. The established controls adequately address the issue raised by the Board of Auditors.

Department responsible: Department of Management
Status: Implemented
Priority: Medium
Target date: Not applicable

57. **In paragraph 129, the Board recommended that the Administration expedite the functioning of the Post-Award Review Committee.**

58. The Post-Award Review Committee is now functioning.

Department responsible: Department of Management
Status: Implemented
Priority: High
Target date: Not applicable

59. **In paragraph 147, the Board recommended that the Administration improve the management of the files for the amendments:**

(a) **By systematically including information on the negotiation process with the vendor, the results thereof, the exact nature of the work and its location;**

(b) **By enhancing the format of the cover note on the requests for amendments so as to give the decision makers a clear understanding of the purpose and the authors of the requests.**

60. Relevant information is systematically included either in the cover note on the requests for amendments or in the supporting documents that accompany the requests for amendments.

Department responsible: Department of Management
Status: Implemented
Priority: High
Target date: Not applicable